

Message Text

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TAGS: BEXP IT

SUBJ: FY-75 IN-STORE PROMOTION: LA STANDA

FOR COMMERCE, ALSO PASS USIS AND USTS

COMMERCE PASS CHARLES JOHNSON, SPECIAL ACTIVITIES DIVISION
AND LINDSTRON-228

REF: MILAN 0344, STATE 070667, FROST-JOHNSON TELECON OF JUN 18

1. AS INSTRUCTED IN STATE 070667, POST'S REPRESENTATIVES ON JUNE 17, CALLED ON LA STANDA OFFICIALS, ROGER ROFE', SUPERVISOR, FOREIGN MARKET RESEARCH, AND PIERO VERNONE, MERCHANDISING MANAGER, WITH EXPRESS PURPOSE OF SIGNING LETTER OF INTENT FOR FEBRUARY 1975 IN-STORE PROMOTION. WHEN ROFE' AND VERNONE SA \$50,000 FIGURE WHICH WE HAD INSERTED IN LETTER PER INSTRUCTIONS IN JUST-CITED TELGRAM, THEY BOTH CLAIMED THAT DURING THEIR RECENT VISIT TO THE US, CHARLES JOHNSON HAD STILL TALKED OF \$60,000 WITH THE POSSIBILITY OF A FURTHER INCREASE TO PERHAPS \$100,000 PENDING AVAILABILITY OF UNOBLIGATED FUNDS AT END OF FISCAL YEAR. IN LIGHT OF FOREGOING, STANDA STATED IT UNWILLING SIGN LETTER OF INTENT AS PRESENTED. CLARIFICATION THIS POINT REQUESTED SOONEST, AS WE UNDERSTAND THAT STANDA'S PURCHASING DEPARTMENT MUST KNOW PRECISE SUM INVOLVED FOR BUDGET DISCUSSIONS WITH PUBLICITY DEPARTMENT WHICH TO TAKE
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PLACE WITHIN A WEEK.

2. STAND ALSO TOOK EXCEPTION TO THAT PORTION OF LETTER WHICH READS "US \$3,600,000... PURCHASES SHALL BE TOTALLY IN ADDITION TO PURCHASES MADE IN THE UNITED STATES FOR A COMPARABLE PERIOD PRIOR TO THE PROMOTION." STANDA CLAIMS THAT WHILE THEY INDEED PLAN TO SPEND IN TOTO APPROXIMATELY \$3.6 MILLION IN US IN 1974, THIS NOT RPT NOT "IN ADDITION" TO WHAT THEY SPENT IN OTHER YEARS. AS CHARLES JOHNSON WILL RECALL, STANDA INFORMED US DURING JOHNSON'S VISIT THAT THEY EXPECTED TO BUY APPROXIMATELY ONE MILLION DOLLARS WORTH OF GOODS FROM THE US IN 1973. IN MOST RECENT CONVERSATION ROFE' CONFIRMED THAT ACTUAL FIGURE WAS BETWEEN EIGHT HUNDRED THOUSAND AND ONE MILLION. STANDA NOT OF COURSE ABLE TO ESTIMATE HOW MUCH OF 2.6 TO 2.8 MILLION DOLLAR INCREASE IN PLANNED 1974 PURCHASES CAN BE ATTRIBUTED TO IN-STORE PROMOTION AND HOW MUCH TO NORMAL GROWTH. POST REQUESTS GUIDANCE AS TO HOW TO WORD APPROPRIATE SECTION IN LETTER OF INTENT IN ORDER TAKE ABOVE-MENTIONED FACTORS INTO CONSIDERATION.

3. AS THEY MUST MAKE THEIR OWN BUDGETARY COMMITMENTS, STANDA CONCERNED OVER FINAL "AVAILABILITY OF FUNDS" DISCLAIMER IN LETTER OF INTENT. POST WONDERS WHETHER THE COMMERCE APPROPRIATION HAS BEEN APPROVED THUS ALLOWING IT DOW WAY WITH THIS STATEMENT? OR, BETTER STILL, MAY WE NOW SIGN A FIRM CONTRACT? PLEASE ADVISE.

4. COMMENT: WITH THE RECENTLY IMPOSED 50 PERCENT DEPOSIT REQUIREMENT (WHICH WOULD APPLY TO ANY PRODUCTS LA STANDA COULD CONCEIVABLY PURCHASE FOR AN IN-STORE PROMOTION), POST HAD BEEN CONCERNED LEST LA STANDA WOULD NO LONGER BE INTERESTED IN AN IN-STORE PROMOTION BECAUSE OF THE INCREASED COSTS AND/OR BECAUSE OF A DESIRE TO KEEP A LOW PROFILE ON ITS IMPORT ACTIVITIES AS A TIME WHEN GOI DOING ALL IN TS POWER TO DISCOURAGE THEM. NOT AT ALL, STANDA REACTION WAS THAT THEY HAD TO CONTINUE THEIR PLANS TO INCREASE THEIR MARKET SHARE BY GETTING MORE ITALIANS TO SHOP AT STANDA THROUGH WHATEVER PROMOTIONAL MEANS POSSIBLE (THEY ADMITTED THAT "MADE IN USA" IS STILL A GOOD CROWN ATTRACTOR) AND THAT THEY HAD SUFFICIENT LIQUIDITY TO COVER FINANCING OF DEPOSIT REQUIREMENT. IN FACT, VERNONE HINTED IN NO UNCERTAIN TERMS THAT 50 PERCENT DEPOSIT UNCLASSIFIED

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REQUIREMENT COULD NOT HELP BUT BENEFIT LARGE SCALE DISTRIBUTION AT THE EXPENSE OF THE MANY THOUSANDS OF SMALL AND MEDIUM SIZED SINGLE UNIT STORES AND IMPORTERS WHICH COULD NOT AFFORD TO PUT UP DEPOSIT REQUIREMENTS. FINA

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